
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hephaestus Holdings Limited you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Form of Acceptance.

**Hong Kong Jun Tai Ting
Investment Company Limited
香港君泰廷投資有限公司**

*(incorporated in the British Virgin Islands with
limited liability)*

**Hephaestus Holdings Limited
客思控股有限公司**

*(Incorporated in the Cayman Islands with
limited liability)*
(Stock Code: 8173)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY**



**FOR AND ON BEHALF OF HONG KONG JUN TAI TING INVESTMENT
COMPANY LIMITED TO ACQUIRE ALL THE ISSUED SHARES
IN HEPHAESTUS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR TO BE
ACQUIRED BY HONG KONG JUN TAI TING INVESTMENT
COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to the Offeror



Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee

TRINITY
Trinity Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document. A letter from Kingston Securities containing, among other things, details of the terms of the Offer is set out on pages 7 to 14 of this Composite Document.

A letter from the Board is set out on pages 15 to 22 of this Composite Document. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages IFA-1 to IFA-20 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar as soon as possible and in any event no later than 4:00 p.m. on Tuesday, 18 January 2022 (or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the details in this regard which are contained in the paragraph headed "7. OVERSEAS INDEPENDENT SHAREHOLDERS" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Independent Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Independent Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.hephaestus.com.hk>.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	iii
IMPORTANT NOTICES	1
DEFINITIONS	2
LETTER FROM KINGSTON SECURITIES	7
LETTER FROM THE BOARD	15
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	IBC-1
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	IFA-1
APPENDIX I — FURTHER TERMS OF THE OFFER AND PROCEDURES FOR ACCEPTANCE AND SETTLEMENT	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE OFFEROR	III-1
APPENDIX IV — GENERAL INFORMATION OF THE GROUP	IV-1
ACCOMPANYING DOCUMENT — FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date 2021
-------	---------------------

Despatch date of this Composite Document and the Form of Acceptance (<i>Note 1</i>)	Tuesday, 28 December
---	----------------------

Offer opens for acceptance (<i>Note 1</i>)	Tuesday, 28 December
--	----------------------

2022

Latest time and date for acceptance of the Offer (<i>Note 2</i>)	4:00 p.m. on Tuesday, 18 January
--	----------------------------------

Closing Date (<i>Note 2</i>)	Tuesday, 18 January
--	---------------------

Announcement of the results of the Offer (or its extension or revision, if any) on the website of the Stock Exchange (<i>Note 2</i>)	no later than 7:00 p.m. on Tuesday, 18 January
--	--

Latest date for posting of remittances in respect of valid acceptances received at or before the latest time for acceptance of the Offer (<i>Note 3</i>)	Thursday, 27 January
--	----------------------

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises the Offer in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Tuesday, 18 January 2022 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Offeror and the Company on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the result of the Offer and whether the Offer has been revised or extended or has expired. In the event that the Offeror decides to revise the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.

EXPECTED TIMETABLE

If there is a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by super typhoons or a “black” rainstorm warning signal in force on the Closing Date and (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will remain on the same day, i.e. 4:00 p.m. on the Closing Date.

3. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt of all relevant documents required to render such acceptance complete and valid in accordance with the Takeovers Code. The latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning signal, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. In such cases, the latest time for the posting of remittances will be rescheduled to the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders any change to the expected timetable as soon as practicable by way of announcement(s).

IMPORTANT NOTICES

NOTICE TO THE OVERSEAS INDEPENDENT SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due from the accepting Shareholder(s) in respect of such jurisdictions. The Offeror and parties acting in concert with it, the Company, Kingston Corporate Finance, Kingston Securities, Merdeka, the Independent Financial Adviser, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Independent Shareholders” in the “Letter from Kingston Securities” and Appendix I to this Composite Document for further information.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Tuesday, 18 January 2022, being the closing date of the Offer which is 21 days following the date on which this Composite Document is posted (or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company in accordance with the Takeovers Code)
“Company”	Hephaestus Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8173)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offer, the recommendation from the Independent Board Committee to the Independent Shareholders and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer
“Director(s)”	the director(s) of the Company
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser”	Trinity Corporate Finance Limited, a corporation licensed by the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company and approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code for the purpose of advising the Independent Board Committee in respect of the terms of the Offer and as to the acceptance
“Independent Shareholders”	the Shareholders other than the Offeror, Ms. Ye and parties acting in concert with any of them
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 6 December 2021 in relation to, among other things, the Offer pursuant to Rule 3.5 of the Takeovers Code
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed by the SFC to conduct Type 6 (Advising on Corporate Finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to conduct Type 1 (Dealing in Securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror

DEFINITIONS

“Last Trading Day”	26 November 2021, being the last trading day of the Shares on the Stock Exchange prior to the halt of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	24 December 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Loan Facility”	a loan facility of up to HK\$49 million granted by Kingston Securities as lender to the Offeror as borrower in accordance with the terms of the Loan Facility Agreement for financing the acquisition of the Sale Shares and the Offer Shares under the Offer
“Loan Facility Agreement”	the loan facility agreement entered into between Kingston Securities as lender and the Offeror as borrower dated 26 November 2021 in relation to the Loan Facility
“Merdeka”	Merdeka Corporate Finance Limited a corporation licensed by the SFC to conduct Type 6 (Advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company in respect of the Offer
“Mr. Norman Chan”	Mr. Chan Norman Enrique, the chairman and an executive Director of the Company and the owner of 96% of the issued shares of Whistle Up
“Ms. Ye”	Ms. Ye Huacong (叶鏺聰), the ultimate beneficial owner of the Offeror
“Offer”	the mandatory unconditional cash offer made by Kingston Securities on behalf of the Offeror to acquire all the Offer Shares
“Offer Price”	HK\$0.4644 per Offer Share
“Offer Share(s)”	all the issued Shares (other than those already beneficially owned and/or to be acquired by the Offeror, Ms. Ye and parties acting in concert with any of them)
“Offeror”	Hong Kong Jun Tai Ting Investment Company Limited, a company incorporated in the British Virgin Islands with limited liabilities which is ultimately wholly and beneficially owned by Ms. Ye
“Overseas Independent Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Union Registrars Limited, the Company’s Hong Kong share registrar and transfer office at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Period”	the period from 6 June 2021, being the date falling six months immediately preceding the commencement of the offer period, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 November 2021 and entered into among Whistle Up as vendor, Mr. Norman Chan as vendor’s guarantor and the Offeror as purchaser in relation to the sale and purchase of the Sale Shares
“Sale Share(s)”	the 158,947,368 Shares transferred to the Offeror from Whistle Up pursuant to the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the share capital of the Company
“Share Charge(s)”	collectively, (i) the share charge entered into between Kingston Securities as chargee and the Offeror as charger dated 26 November 2021 whereby the Offeror has agreed to charge to Kingston Securities as security for the Loan Facility all of the Sale Shares owned by the Offeror upon Completion; and (ii) the share charge entered into between Kingston Securities as chargee and the Offeror as charger dated 26 November 2021 whereby the Offeror has agreed to charge to Kingston Securities as security for the Loan Facility the Shares to be acquired by the Offeror under the Offer or on the market at or below the Offer Price (as the case maybe)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers

DEFINITIONS

“Whistle Up”	Whistle Up Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 96% by Mr. Norman Chan, 3% by Mr. Lee Alex Kam-fai and 1% by Ms. Kwok Lai Yi, Susanna (the spouse of Mr. Norman Chan)
“%”	per cent.

LETTER FROM KINGSTON SECURITIES

Kingston Securities Limited
72/F, The Center
99 Queen's Road Central
Central, Hong Kong

28 December 2021

To the Independent Shareholders

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY



FOR AND ON BEHALF OF HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN HEPHAESTUS HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR TO BE ACQUIRED BY HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement, whereby the Offeror and the Company jointly announced that Kingston Securities will, for and on behalf of the Offeror, make a mandatory unconditional general cash offer to acquire all the Offer Shares. As at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in an aggregate of 158,947,368 Shares, representing approximately 73.81% of the entire issued share capital of the Company.

This letter forms part of this Composite Document which set out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as set out in this Composite Document, the appendices as set out in this Composite Document and the Form of Acceptance and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

LETTER FROM KINGSTON SECURITIES

PRINCIPAL TERMS OF THE OFFER

Kingston Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the terms set out on the following basis:

The Offer

Kingston Securities is making the Offer pursuant to Note 1 to Rule 26.2 of the Takeovers Code, for and on behalf of the Offeror on the terms set out below in compliance with the Takeovers Code on the following basis:

For every Offer Share HK\$0.4644 in cash

The Offer Price is approximately equal to but not lower than the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company had 215,346,526 Shares in issue. Save as aforesaid, the Company did not have any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The Offer is unconditional in all aspects when it is made and is not conditional upon acceptances being received in respect of a minimum number of Shares.

Comparison of value

The Offer Price of HK\$0.4644 per Offer Share represents:

- (i) a discount of approximately 33.66% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 47.82% to the closing price of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 48.05% to the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.894 per Share;
- (iv) a discount of approximately 48.11% to the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.895 per Share;
- (v) a discount of approximately 47.88% to the average of the closing prices as quoted on the Stock Exchange for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.891 per Share;
- (vi) a discount of approximately 44.71% to the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.840 per Share;

LETTER FROM KINGSTON SECURITIES

- (vii) a premium of approximately 82.83% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.254 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021, being the date to which the latest published audited annual financial results of the Group were made up; and
- (viii) a premium of approximately 112.05% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.219 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 30 September 2021, being the date to which the latest published unaudited interim financial results of the Group were made up.

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.92 on 1 November 2021 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.2 on 19 August 2021, 23 August 2021, 25 August 2021, 26 August 2021 and 27 August 2021.

Value of the Offer

Based on the Offer Price of HK\$0.4644 per Offer Share and 215,346,526 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$100.0 million.

As at the Latest Practicable Date, excluding the total Shares of 158,947,368 Shares held by the Offeror, Ms. Ye and the parties acting in concert with any of them and assuming there is no change in the number of issued Shares before the close of Offer, a total of 56,399,158 Shares will be subject to the Offer and the value of the Offer is approximately HK\$26.2 million.

Confirmation of financial resources available for the Offer

The Offeror intends to finance the consideration payable under the Offer by the Loan Facility granted to it by Kingston Securities.

Kingston Corporate Finance has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy its maximum payment obligations upon full acceptance of the Offer.

On the date of the Sale and Purchase Agreement, the Offeror entered into the Loan Facility Agreement in connection with the Loan Facility, and the Offeror entered into the Share Charges in favour of Kingston Securities. The payment of interest on, repayment of or security for any existing liability (contingent or otherwise) in relation to the Loan Facility, will not depend on the business of the Company to any significant extent. The voting rights of the Shares subject to the Share Charges would not be

LETTER FROM KINGSTON SECURITIES

transferred to Kingston Securities unless and until the security under the Share Charge(s) shall have become enforceable, and Kingston Securities has elected to enforce the security thereunder, pursuant to the terms and conditions thereof.

Effects of accepting the Offer

The Offer is unconditional in all respects.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are free from all liens, charges, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code as set out in subparagraph (b) under the paragraph headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

Hong Kong stamp duty

Seller’s ad valorem stamp duty at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer.

The Offeror will arrange for payment of the seller’s Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Settlement

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror (or its agent) to render each such acceptance complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

Overseas Independent Shareholders

The Offeror intends to make the Offer available to all Independent Shareholders, including those who are not residents in Hong Kong. The availability of the Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to the Independent Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the individual Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Shareholder(s) in respect of such jurisdictions).

Acceptance of the Offer by any Overseas Independent Shareholder will be deemed to constitute a representation and warranty from such Overseas Independent Shareholder to the Offeror that all the laws and requirements of the relevant jurisdictions have been complied with. The Overseas Independent Shareholders should consult their professional advisers in case of any doubt.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with it, the Company, Kingston Securities, Kingston Corporate Finance, Merdeka, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION OF THE OFFEROR

The Offeror is incorporated in the British Virgin Islands on 5 November 2021 with limited liabilities, which was incorporated solely for the purpose of holding the Sale Shares to be acquired by the Offeror, and is an investment holding company ultimately wholly and beneficially owned by Ms. Ye.

Ms. Ye holds a bachelor's degree in law from the Xi'an Jiaotong University. Since 2004, Ms. Ye has been a senior management at Shenzhen Longhua Henghe Real Estate Development Company Limited[#] (深圳市龍華恆和房地產開發有限公司), a company that is principally engaged in real estate development and property investment business in the PRC.

LETTER FROM KINGSTON SECURITIES

Save for being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, as at the Latest Practicable Date, Ms. Ye was not a substantial shareholder (as defined under the GEM Listing Rules) of other public listed companies in Hong Kong (whether listed on the GEM or the main board of the Stock Exchange) in the past three years.

The sole director of the Offeror is Ms. Zheng Lu (鄭露) (“**Ms. Zheng**”). Ms. Zheng graduated from the Shenzhen Polytechnic[#] (深圳職業技術學院). Ms. Zheng worked as a sales manager at Dragon Art Furniture Decoration & Design, a company that is principally engaged in selling furniture. Due to the travel restrictions and quarantine required against COVID-19 pandemic, Ms. Ye is unable to travel between Hong Kong and the PRC frequently to handle the corporate matters, Ms. Ye has therefore appointed Ms. Zheng who is currently based in Hong Kong as the director of the Offeror to handle the corporate matters on her behalf.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the paragraph headed “INFORMATION ON THE GROUP” in the “Letter from the Board” in this Composite Document.

INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

Upon Completion, the Offeror has become the controlling Shareholder (as defined under the GEM Listing Rules). The Offeror also intends to continue the existing principal business of the Group immediately following Completion. While continuing the principal business of the Group, the Offeror will assist the Group in reviewing its existing capabilities and resources for the purpose of developing detailed business plans and strategies. Subject to the results of the review, the Offeror intend to leverage on Ms. Ye experience and knowledge to explore the business opportunities with the goal of generating better return for the Company. The Offeror will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. As at the Latest Practicable Date, the Offeror and the Company have yet to identified or entered into discussions or negotiation with any parties with respect to business opportunities or acquisitions or disposal. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. As at the Latest Practicable Date, the Offeror is in the course of identifying the person(s) to be appointed as Director(s) of the Board, but has yet determined the candidate(s) for the appointment(s).

Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

[#] *for identification purpose only*

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and Ms. Ye have undertaken and will procure the new directors to be appointed to the Board (if any) to jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after closing of the Offer.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

GENERAL

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Company, the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, Merdeka, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM KINGSTON SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document, before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk-yui
Director

Hephaestus Holdings Limited

客思控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8173)

Executive Directors:

Mr. Chan Norman Enrique (*Chairman*)
Mr. Lee Alex Kam-fai

Independent non-executive Directors:

Mr. Kwong U Hoi Andrew
Mr. Wong Jonathan
Mr. Chi Chi Hung Kenneth

Registered office in the Cayman Islands:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of business
in Hong Kong:*

Flats A–G, 15/F,
15 Chong Yip Street,
Kowloon,
Hong Kong

28 December 2021

To the Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY



**FOR AND ON BEHALF OF
HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
HEPHAESTUS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
AND/OR TO BE ACQUIRED BY
HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement jointly issued by the Offeror and the Company on 6 December 2021 in relation to, among others, the Offer. Terms used in this letter have the same meanings as defined in this Composite Document unless the context otherwise requires.

LETTER FROM THE BOARD

As disclosed in the Joint Announcement, the Company was informed by Whistle Up and the Offeror that on 26 November 2021, after trading hours of the Stock Exchange, Whistle Up, Mr. Norman Chan and the Offeror entered into the Sale and Purchase Agreement pursuant to which Whistle Up has agreed to sell and the Offeror has agreed to purchase an aggregate of 158,947,368 Sale Shares, representing approximately 73.81% of the total issued share capital of the Company as at the date of the Joint Announcement. The consideration for the Sale Shares is HK\$73,810,000, which is equivalent to approximately HK\$0.4644 per Sale Share. The sale and purchase of the Sale Shares has been completed on 29 November 2021. The consideration has been settled by the Offeror to Whistle Up upon Completion in cash. The consideration was satisfied by the internal resources of the Offeror and the Loan Facility.

As at the Latest Practicable Date, the Company has 215,346,526 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares. Save for the Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Immediately prior to Completion, none of the Offeror, Ms. Ye and parties acting in concert with any of them held, owned, controlled or had the right of direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the Latest Practicable Date, the Offeror, Ms. Ye and parties acting in concert with any of them were interested in 158,947,368 Shares, representing approximately 73.81% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror, Ms. Ye and parties acting in concert with any of them).

Details of the Offer are set out in the “Letter from Kingston Securities”, Appendix I to this Composite Document and the accompanying Form of Acceptance.

This letter forms part of this Composite Document, together with the Form of Acceptance, which, among other matters, provides you with information relating to the Group and the Offeror, the Offer (including the expected timetable and terms of the Offer), the letter from the Board, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Kwong U Hoi Andrew, Mr. Wong Jonathan and Mr. Chi Chi Hung Kenneth, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer. Such appointment has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document.

You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

MANDATORY UNCONDITIONAL CASH OFFER

The terms of the Offer as set out in the “Letter from Kingston Securities” are extracted below. You are recommended to refer to the “Letter from Kingston Securities” and the accompanying Form of Acceptance for further details.

Kingston Securities is making the Offer, on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.4644 in cash

The Offer Price of HK\$0.4644 per Offer Share under the Offer is approximately equal to but not lower than the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is extended to all Shareholders other than the Offeror, Ms. Ye and parties acting in concert with any of them in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Company confirms that as at the Latest Practicable Date, (a) it had not declared any dividend, the record date of which fell before the date of despatch of this Composite Document and which was not paid; (b) it had not declared any dividend, the record date of

LETTER FROM THE BOARD

which falls on or after the date of despatch of this Composite Document; and (c) it did not have any intention to make, declare or pay any future dividend/make other distributions until the close of the Offer.

The Offer is unconditional in all respects.

Comparison of value

The Offer Price of HK\$0.4644 per Offer Share represents:

- i. a discount of approximately 33.66% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- ii. a discount of approximately 47.82% to the closing price of HK\$0.890 per Share as quoted on the Stock Exchange on the Last Trading Day;
- iii. a discount of approximately 48.05% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.894 per Share;
- iv. a discount of approximately 48.11% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.895 per Share;
- v. a discount of approximately 47.88% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.891 per Share;
- vi. a discount of approximately 44.71% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.840 per Share;
- vii. a premium of approximately 82.83% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.254 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021, being the date to which the latest published audited annual financial results of the Group were made up; and
- viii. a premium of approximately 112.05% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.219 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 30 September 2021, being the date to which the latest published unaudited interim financial results of the Group were made up.

LETTER FROM THE BOARD

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Independent Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Kingston Securities” and Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are currently listed on the GEM (stock code: 8173). The Group is principally engaged in the provision of interior design and execution services.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial information and general information of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately before the Completion		Immediately after the Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Whistle Up (<i>Note 1</i>)	158,947,368	73.81	—	—
Offeror and parties acting in concert with it (<i>Note 2</i>)	—	—	158,947,368	73.81
Other Shareholders	<u>56,399,158</u>	<u>26.19</u>	<u>56,399,158</u>	<u>26.19</u>
Total	<u>215,346,526</u>	<u>100.0</u>	<u>215,346,526</u>	<u>100.0</u>

Notes:

1. Whistle Up is a company incorporated in the British Virgin Islands with limited liability and is owned as to 96% by Mr. Norman Chan, 3% by Mr. Lee Alex Kam-fai and 1% by Ms. Kwok Lai Yi, Susanna (the spouse of Mr. Norman Chan).
2. The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Ms. Ye.

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR

The Offeror is incorporated in the British Virgin Islands on 5 November 2021 with limited liability, which was incorporated solely for the purpose of holding the Sale Shares to be acquired by the Offeror, and is an investment holding company ultimately wholly and beneficially owned by Ms. Ye.

Ms. Ye holds a bachelor's degree in law from the Xi'an Jiaotong University. Since 2004, Ms. Ye has been a senior management at Shenzhen Longhua Henghe Real Estate Development Company Limited[#] (深圳市龍華恆和房地產開發有限公司), a company that is principally engaged in real estate development and property investment business in the PRC.

Save for being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, as at the Latest Practicable Date, Ms. Ye was not a substantial shareholder (as defined under the GEM Listing Rules) of other public listed companies in Hong Kong (whether listed on the GEM or the main board of the Stock Exchange) in the past three years.

The sole director of the Offeror is Ms. Zheng Lu (鄭露) (“**Ms. Zheng**”). Ms. Zheng graduated from the Shenzhen Polytechnic[#] (深圳職業技術學院). Ms. Zheng worked as a sales manager at Dragon Art Furniture Decoration & Design, a company that is principally engaged in selling furniture. Due to the travel restrictions and quarantine required against COVID-19 pandemic, Ms. Ye is unable to travel between Hong Kong and the PRC frequently to handle the corporate matters, Ms. Ye has therefore appointed Ms. Zheng who is currently based in Hong Kong as the director of the Offeror to handle the corporate matters on her behalf.

THE OFFEROR'S INTENTION ON THE GROUP AND THE PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As stated in the “Letter from Kingston Securities”, upon Completion, the Offeror has become the controlling Shareholder (as defined under the GEM Listing Rules). As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror also intends to continue the existing principal business of the Group immediately following Completion. The Offeror will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. As at the Latest Practicable Date, the Offeror is in the course of identifying the person(s) to be appointed as Director(s) of the Board but has yet determined the candidate(s) for the appointment(s).

Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

[#] for identification purpose only

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- A false market exists or may exist in the trading of the Shares; or
- That there are insufficient Shares in the public hands to maintain an orderly market;

It will consider exercising its discretion to suspend dealings in the Shares.

As stated in the “Letter from Kingston Securities” in this Composite Document, the Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and Ms. Ye have undertaken and will procure the new directors to be appointed to the Board (if any) to jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror, Ms. Ye or parties acting in concert with any of them and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

GENERAL

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages IBC-1 to IBC-2 of this Composite Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages IFA-1 to IFA-20 of this Composite Document, which sets out its advice to the Independent Board Committee in respect of the Offer and, in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

LETTER FROM THE BOARD

By order of the Board of
Hephaestus Holdings Limited
Chan Norman Enrique
Executive Director

Hephaestus Holdings Limited

客思控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8173)

28 December 2021

To the Independent Shareholders

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY



**FOR AND ON BEHALF OF
HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
HEPHAESTUS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
TO BE ACQUIRED BY
HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to this Composite Document dated 28 December 2021 jointly issued by the Company and the Offeror of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in this Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer.

Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser with our approval to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice and recommendations are set out in the “Letter from the Independent Financial Adviser” on pages IFA-1 to IFA-20 of this Composite Document.

We also wish to draw your attention to the “Letter from Kingston Securities”, the “Letter from the Board” and the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Offer, taking into account the information contained in this Composite Document and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Shareholders to accept the Offer if they cannot sell the Shares in the open market above the Offer Price having taking into account all transaction costs.

Independent Shareholders are reminded to closely monitor the market price and liquidity of the Shares during the offer period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales after deducting all transaction costs exceed the net amount receivable under the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the Form of Acceptance.

Yours faithfully,
Independent Board Committee
Hephaestus Holdings Limited

Mr. Kwong U Hoi Andrew
*Independent non-executive
Director*

Mr. Wong Jonathan
*Independent non-executive
Director*

Mr. Chi Chi Hung Kenneth
*Independent non-executive
Director*

TRINITY

Trinity Corporate Finance Limited

Unit 05, 29/F,
50 Wong Chuk Hang Road,
Hong Kong.

28 December 2021

*To the Independent Board Committee and Independent Shareholders of
Hephaestus Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON
SECURITIES FOR AND ON BEHALF OF
HONG KONG JUN TAI TING INVESTMENT COMPANY LIMITED TO
ACQUIRE ALL THE ISSUED SHARES
IN HEPHAESTUS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
TO BE ACQUIRED BY HONG KONG JUN TAI TING INVESTMENT
COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Composite Document dated 28 December 2021, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 6 December 2021, the Offeror and the Company jointly announced that Kingston Securities will, for and on behalf of the Offeror, make a mandatory unconditional general cash offer to acquire all the Offer Shares. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 158,947,368 Shares, representing approximately 73.81% of the entire issued share capital of the Company. The consideration for the Sale Shares is HK\$73,810,000, which is equivalent to approximately HK\$0.4644 per Sale Share. The sale and purchase of the Sale Shares has been completed on 29 November 2021. The consideration has been settled by the Offeror to Whistle Up upon Completion in cash. The consideration was satisfied by the internal resources of the Offeror and the Loan Facility.

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Kwong U Hoi Andrew, Mr. Wong Jonathan and Mr. Chi Chi Hung Kenneth, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Trinity Corporate Finance Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, the Offeror, the sole director and/or shareholder of the Offeror or any other parties that could reasonably be regarded as relevant to our independence. We are not associated with the Company, the Offeror, the sole director and/or shareholder of the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice in connection with the Offer. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the sole director and/or shareholder of the Offeror or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the circular of the Company dated 29 May 2019 in relation to, among other matters, the very substantial acquisition, reverse takeover involving new listing application and connected transaction of the Company (the “**Circular**”), the prospectus of the Company dated 4 November 2019 (the “**Prospectus**”) and the Composite Document (together referred to as the “**Reviewed Documents**”) and the information and representations provided to us by the Company, its Directors and management. We have no reason to believe that any information and representations relied on by us in forming our opinion, are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Reviewed Documents, which have been provided by, *inter alia*, the Offeror, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date, and if and when it comes to our knowledge that there are any material changes, Independent Shareholders will be informed as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

The sole director of the Offeror and Ms. Ye jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than that expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Reviewed Documents and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Reviewed Documents or the reasonableness of the opinions and representations provided to us by the Company. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or any parties involved in the Offer or their future prospects.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Offer, we have taken into account the following principal factors and reasons:

A. Terms of the Offer

Consideration for the Offer

According to the terms stated in the Composite Document, Kingston Securities is making the Offer pursuant to Note 1 to Rule 26.2 of the Takeovers Code, for and on behalf of the Offeror on the terms set out below in compliance with the Takeovers Code on the following basis:

For every Offer Share HK\$0.4644 in cash

The Offer Price is approximately equal to but not lower than the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

Conditions to the Offer

The Offer is unconditional in all aspects when it is made and is not conditional upon acceptances being received in respect of a minimum number of Shares.

Comparisons of value

The Offer Price of HK\$0.4644 per Offer Share represents:

- (i) a discount of approximately 33.66% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) a discount of approximately 47.82% to the closing price of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**Last Trading Price**”);
- (iii) a discount of approximately 48.05% to the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.894 per Share;
- (iv) a discount of approximately 48.11% to the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.895 per Share;
- (v) a discount of approximately 47.88% to the average of the closing prices as quoted on the Stock Exchange for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.891 per Share;
- (vi) a discount of approximately 44.71% to the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.840 per Share;
- (vii) a premium of approximately 82.83% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.254 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021, being the date to which the latest published audited annual financial results of the Group were made up; and
- (viii) a premium of approximately 112.05% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.219 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 30 September 2021, being the date to which the latest published unaudited interim financial results of the Group were made up.

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.92 on 1 November 2021 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.20 on 19 August 2021, 23 August 2021, 25 August 2021, 26 August 2021 and 27 August 2021.

Value of the Offer

Based on the Offer Price of HK\$0.4644 per Offer Share and 215,346,526 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$100.0 million.

As at the Latest Practicable Date, excluding the total Shares of 158,947,368 Shares held by the Offeror, Ms. Ye and parties acting in concert with any of them and assuming there is no change in the number of issued Shares before the close of the Offer, a total of 56,399,158 Shares will be subject to the Offer and the value of the Offer is approximately HK\$26.2 million.

B. Intention of the Offeror in relation to the Company

According to the Composite Document, the Offeror intends to continue the existing principal business of the Group immediately following Completion. While continuing the principal business of the Group, the Offeror will assist the Group in reviewing its existing capabilities and resources for the purpose of developing detailed business plans and strategies. Subject to the results of the review, the Offeror intends to leverage on Ms. Ye's experience and knowledge to explore the business opportunities with the goal of generating better return for the Company. The Offeror will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. As at the Latest Practicable Date, the Offeror and the Company have yet to identified or entered into discussions or negotiation with any parties with respect to business opportunities or acquisitions or disposal. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in the ordinary course of business. As at the Latest Practicable Date, the Offeror is in the course of identifying the person(s) to be appointed as Director(s) of the Board, but has not yet determined the candidate(s) for the appointment(s). Also, according to the Composite Document, any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

C. Maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and Ms. Ye have undertaken and will procure the new directors to be appointed to the Board (if any) to jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror, Ms. Ye or parties acting in concert with any of them and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

D. Background and recent business development of the Company

According to the Prospectus, trading in the Shares on the Stock Exchange were suspended since 20 March 2017 and the Company was required to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets. On 24 May 2019, the Stock Exchange granted the in-principle approval to the new listing application and on 29 May 2019, the Circular was despatched, in relation to, among other matters, the proposed restructuring and acquisition of the target group, namely Absolute Surge Limited and its subsidiaries (the “**Target Group**”). Subsequent to the successful restructuring and new listing application of the Company, trading in the Shares was resumed on 14 November 2019 and the Target Group is currently the main business of the Company.

As disclosed in the Prospectus, the Target Group was established in 1995 and is principally engaged in the provision of interior design services to premises including private residences, corporate offices, service apartments, hotels, residential clubhouses, show flats and sales galleries. The Target Group’s interior design business is project-based. A typical interior design project covers (i) design stage; and (ii) project execution stage. The design stage can be further divided into (i) schematic design stage to formulate design proposal; (ii) design development stage to compose detail drawings with specifications; and (iii) tender stage to modify drawings and advise customers on selection of craftspeople and tender negotiations. After the design drawings are finalised, the Target Group will proceed to project execution stage where the Target Group will oversee the execution process of the project to ensure proper execution of the design in accordance with the drawings and specifications and meeting customer’s requirement. Depending on the complexity of the project, the typical operation flow of the Target Group generally takes one to three year(s) to complete.

The interior design services provided by the Target Group include conceptual design of interior environments that support the function, aesthetics and cultures of people using interior spaces. The designs are created by a combination of creativity, technical and material knowledge of the Target Group’s designers, with an aim to deliver solutions that meet the requirement of customers and end-users of the interior spaces. The design drawings delivered by the Target Group can be formalised into a presentation to the customers, allowing them to gain a better understanding of the texture, colour of fabrics and materials proposed to be used in the design. Subject to the scope of works agreed in contracts, the Target Group may assist in locating craftspeople who produce design products and customised materials which serve the purpose of emanating vibe and being functional and practical at the same time. The Target Group may also be responsible for monitoring the execution progress of the

projects to ensure the fitting-out works and materials supplied by contractors and craftspeople directly engaged by customers are up to standard and the design is materialised as conceived.

Also, according to the Prospectus, the Target Group will generally commence its services after a quotation and/or a separate contract, setting out details including breakdown description of works to be carried out, contract price, payment terms and other standard terms and conditions are duly signed by both the customer and the Target Group. By way of background, a summary of the salient terms of a typical quotation and/or contract is set out below:

(i) Nature, scope and location of work

Nature and the scope of work to be carried out on specified premises and properties which typically cover design stage and project execution stage. Scope of work during design stage generally includes fitting out design, space planning, furniture layouts, furnishing proposals, concept direction, coordinate artworks, accessories and artifacts selection, assist in tendering and co-ordination in relation to interior design works. Scope of work during project execution stage generally includes periodic site supervision and inspection to monitor the fitting-out works and attendance of coordination meetings. The quotations and/or contracts also set out in detail the required deliverable for each of the design stages.

(ii) Fees and payment terms

The fees chargeable to customers are based on project progress. An agreed percentage of the fees are payable upon completion of specific works according to the payment schedules as set out in the quotations and/or contracts.

As set out above, the services provided by the Company includes project execution which requires, among other things, site supervision and inspection to monitor fitting-out works and the fees receivable by the Company are based on project progress and completion of specific works according to the payment schedules as set out in quotations and/or contracts. We have discussed with the Company and understand that as a result of the adverse effect of COVID-19 pandemic, the timing of project execution and hence collection of fees receivable have inevitably been slowed down or delayed.

According to the annual report for the year ended 31 March 2021, the Group will remain cautiously attentive over the market conditions given the unpredictable macroeconomic environment across the globe, particularly when COVID-19 pandemic remains as a threat to the health and safety of global and local communities. Also, the Group will continue to capitalise on opportunities by leveraging the Group's competitive strengths and implementing the following strategies: (i) maintain and strengthen market position in Hong Kong; (ii) enhance brand recognition and strengthen marketing efforts; and (iii) continue to recruit talents and enhance internal training to support future growth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite the adverse impact of COVID-19 pandemic as noted above, we have independently reviewed the “Hong Kong Property Review Monthly Supplement” for the month of December 2021 issued by the Rating and Valuation Department (<https://www.rvd.gov.hk/doc/en/statistics/full.pdf>) and note that the total consideration for domestic primary sales of real properties reached HK\$194,716 million in the year up to October 2021, which is higher than HK\$169,774 million for the whole year in 2020. Also, the total consideration for non-domestic sales of real properties (Offices) and non-domestic sales of real properties (Commercial) reached HK\$12,994 million and HK\$34,451 million respectively in the year up to October 2021, which is also higher than HK\$8,287 million and HK\$18,291 million respectively for the whole year in 2020. Based on the above, we are therefore of the view that, barring the adverse impact of COVID-19 pandemic which is currently still ongoing, the outlook of the industry that the Company operates in and the business outlook of the Company will remain fundamentally positive in the long term.

E. Financial performance of the Company

Set out below is a summary of the financial information of the Company for the six months ended 30 September 2020 and 2021 and the last three financial years ended 31 March 2019, 2020 and 2021, extracted from the unaudited consolidated financial statements as set out in the interim report of the Company for the six months ended 30 September 2021 and the audited consolidated financial statements as set out in the annual reports of the Company for the last three financial years ended 31 March 2019, 2020 and 2021, respectively.

Summary of the financial information of the Company for the six months ended 30 September 2020 and 2021 and the last three financial years ended 31 March 2019, 2020 and 2021:

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2021 HK\$'000 (Unaudited)	Year ended 31 March		
			2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Audited)
Revenue	28,349	25,625	69,810	73,088	53,238
Cost of services	(13,439)	(12,631)	(28,477)	(30,395)	(25,891)
Gross Profit	14,910	12,994	41,333	42,693	27,347
Other income	2,413	592	131	361	3,600
Other gains/losses	580	32	877	(915)	(2)
Listing expense	—	—	—	(57,302)	—
Administrative expenses	(10,517)	(10,172)	(20,949)	(22,247)	(19,730)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2021 <i>HK\$'000</i> (Unaudited)	Year ended 31 March		
			2019 <i>HK\$'000</i> (Audited) (Restated)	2020 <i>HK\$'000</i> (Audited)	2021 <i>HK\$'000</i> (Audited)
Profit/(Loss) from operations	7,386	3,446	21,392	(37,410)	11,215
Finance costs	(917)	(775)	(1,244)	(2,040)	(1,774)
Profit/(Loss) before tax	6,469	2,671	20,148	(39,450)	9,441
Income tax	(678)	(510)	(2,982)	(3,196)	(1,228)
Profit/(Loss) and total comprehensive income for the period	5,791	2,161	17,166	(42,646)	8,213
Earnings/(Loss) per Share					
Basic	HK2.37 cents (Restated)	HK0.93 cents	HK2.26 cents	HK(4.55) cents	HK0.67 cents
Diluted	N/A	N/A	N/A	N/A	N/A
Net Assets	52,215	47,175	20,470	46,424	54,637
Total Equity	52,215	47,715	20,470	46,424	54,637

Source: Interim reports of the Company for the six months ended 30 September 2020 and 2021 and annual reports of the Company for the last three financial years ended 31 March 2019, 2020 and 2021

For the financial year ended 31 March 2021:

The Company's revenue decreased from approximately HK\$73.1 million for the year ended 31 March 2020 to approximately HK\$53.2 million for the year ended 31 March 2021, representing a decrease of approximately HK\$19.9 million or 27.2%.

We have discussed with the Company and understand that the decrease in revenue was mainly attributable to the adverse impact resulting from the social unrest in Hong Kong and the outbreak of COVID-19 pandemic that took place during the past two years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 March 2021, the Company's revenue was mainly composed of interior design and execution service income of approximately HK\$52.5 million and colour-rendering service income of approximately HK\$0.5 million, with interior design and execution services constituting over 98% of total revenue.

For the year ended 31 March 2021, the Company's gross profit amounted to approximately HK\$27.3 million, which decreased by approximately HK\$15.4 million from approximately HK\$42.7 million for the year ended 31 March 2020. The decrease in gross profit was mainly due to the drop in revenue which decreased by approximately HK\$19.9 million. Gross profit margin decreased from approximately 58.4% for the year ended 31 March 2020 to approximately 51.4% for the year ended 31 March 2021.

The increase in the Company's profit before tax, from loss before tax of approximately HK\$39.5 million for the year ended 31 March 2020 to profit before tax of approximately HK\$9.4 million for the year ended 31 March 2021, representing a significant increase of approximately HK\$48.9 million.

Such increase was mainly attributable to a combination of factors, including (i) the decrease in revenue of approximately HK\$19.9 million; (ii) the decrease in cost of services of approximately HK\$4.5 million; (iii) the increase in other income of approximately HK\$3.2 million; (iv) the decrease in administrative expenses of approximately HK\$2.5 million; (v) the decrease in other losses of approximately HK\$0.9 million; and (vi) the non-recurring listing expense of approximately HK\$57.3 million for the year ended 31 March 2020.

In short, despite the impact of COVID-19 pandemic, the Company was able to achieve a profit and total comprehensive income of approximately HK\$8.2 million for the year ended 31 March 2021, compared to a loss and total comprehensive income of approximately HK\$42.6 million for the previous year. The loss for the year ended 31 March 2020 was impacted by the listing expenses of approximately HK\$57.3 million, which was incurred during that financial year.

The Company's net assets and total equity for the year ended 31 March 2021 was approximately HK\$54.6 million.

For the six months ended 30 September 2021:

The Company's revenue decreased from approximately HK\$28.3 million for the six months ended 30 September 2020 to approximately HK\$25.6 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$2.7 million or 9.6%.

For the six months ended 30 September 2021, the Company's gross profit amounted to approximately HK\$13.0 million, which decreased by approximately HK\$1.9 million from approximately HK\$14.9 million for the six months ended 30 September 2020. The decrease in gross profit was mainly due to the drop in

revenue which decreased by approximately HK\$2.7 million. Gross profit margin decreased from approximately 52.6% for the six months ended 30 September 2020 to approximately 50.7% for the six months ended 30 September 2021.

The Company's profit before tax decreased from approximately HK\$6.5 million for the six months ended 30 September 2020 to approximately HK\$2.7 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$3.8 million or 58.7%.

According to the interim report, such decrease was mainly attributable to a combination of factors, including (i) the decrease in revenue of approximately HK\$2.7 million; (ii) the decrease in cost of services of approximately HK\$0.8 million; (iii) government grants for the Employment Support Scheme of approximately HK\$2.4 million accounted for as other income for the six months ended 30 September 2020, but no government grants received during the six months ended 30 September 2021; (iv) the decrease in administrative expenses of approximately HK\$0.3 million; and (v) the decrease in fair value gain of approximately HK\$0.5 million on key management insurance policies.

The Company's net assets and total equity for the six months ended 30 September 2021 was approximately HK\$47.2 million.

F. Background of the Offeror

The Offeror was incorporated in the British Virgin Islands on 5 November 2021 with limited liability, which was incorporated solely for the purpose of holding the Sale Shares to be acquired by the Offeror, and is an investment holding company ultimately wholly and beneficially owned by Ms. Ye.

Ms. Ye holds a bachelor's degree in law from the Xi'an Jiaotong University. Since 2004, Ms. Ye has been a senior management at Shenzhen Longhua Henghe Real Estate Development Company Limited (深圳市龍華恆和房地產開發有限公司), a company that is principally engaged in real estate development and property investment business in the PRC.

Save for being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, as at the Latest Practicable Date, Ms. Ye was not a substantial shareholder (as defined under the GEM Listing Rules) of other public listed companies in Hong Kong (whether listed on the GEM or the main board of the Stock Exchange) in the past three years.

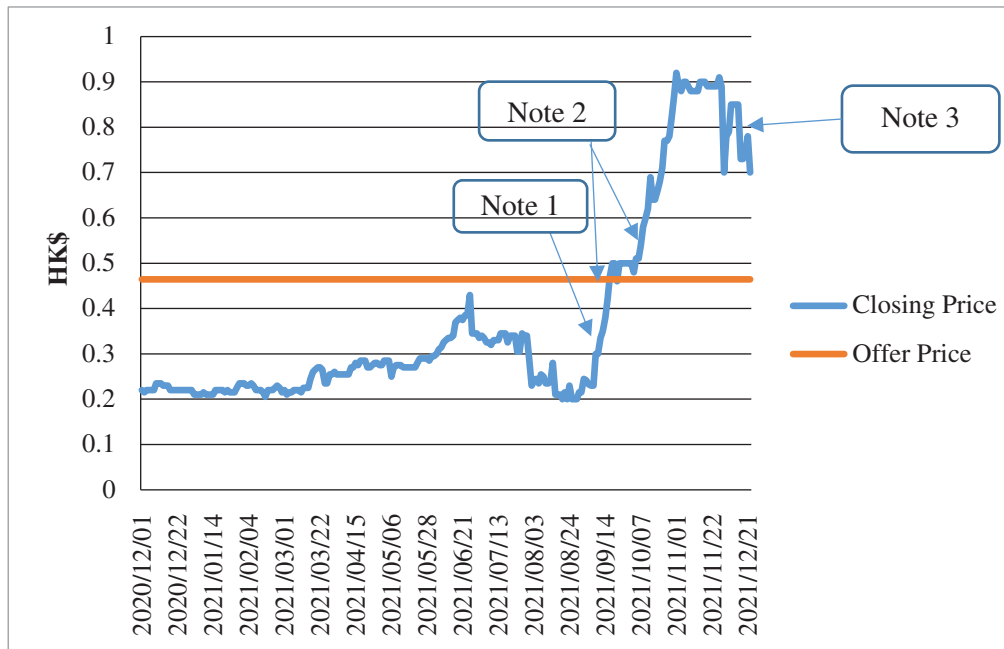
The sole director of the Offeror is Ms. Zheng Lu (鄭露) ("**Ms. Zheng**"). Ms. Zheng graduated from the Shenzhen Polytechnic (深圳職業技術學院). Ms. Zheng worked as a sales manager at Dragon Art Furniture Decoration & Design, a company that is principally engaged in selling furniture. Due to the travel restrictions and quarantine required against COVID-19 pandemic, Ms. Ye is unable to travel between Hong Kong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the PRC frequently to handle the corporate matters, Ms. Ye has therefore appointed Ms. Zheng who is currently based in Hong Kong as the director of the Offeror to handle the corporate matters on her behalf.

G. Share price performance and trading liquidity of the Company

The following chart sets out the movements of the closing prices of the Shares on the Stock Exchange during the period from the 12 months preceding the commencement of the offer period on 6 December 2021 (“**Offer Period**”), up to and including the Latest Practicable Date:



Source: Stock Exchange website

Notes:

- (1) The Company's share consolidation of five issued shares into one consolidated share became effective on 2 September 2021.
- (2) The Company repurchased approximately 7.1 million Shares during September 2021 and October 2021.
- (3) The Company halted trading in the Shares on 29 November 2021, announced the Offer on 6 December 2021 and resumed trading in the Shares on 7 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the Share price chart above, the Share price of the Company has generally traded within the range of around HK\$0.20 to HK\$0.89 preceding the commencement of the Offer Period, with an average of HK\$0.38 over the period from the 12 months preceding the commencement of the Offer Period up to and including the Latest Practicable Date. The Share price has seen an approximately 21.3% decrease from the Last Trading Day of HK\$0.89 to the Share price on the Latest Practicable Date of HK\$0.70. During the last 12-month period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.92 on 1 November 2021 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.20 on 19 August 2021, 23 August 2021, 25 August 2021, 26 August 2021 and 27 August 2021.

The Offer Price of HK\$0.4644 is higher than the closing prices of the Shares during the period between December 2020 and September 2021, and is lower than the closing prices of the Shares in the two months preceding the Last Trading Day. The closing price of the Shares on 30 September 2021 of HK\$0.50 has increased by approximately 78% to HK\$0.89 on the Last Trading Day. During the period from September 2021 to October 2021, we note that the Company's share consolidation of five issued shares into one consolidated share became effective on 2 September 2021 and the Company repurchased up to approximately 7.1 million Shares during September and October 2021. Although there may be no direct correlation between such events and the increase in Share price noted during such period, we consider that the share repurchase, and to a lesser extent the share consolidation which became effective on 2 September 2021, may have contributed partly to such increment. However, the average daily trading volume of the Shares has remained low during such period as shown in the table below.

Also, the Offer Price of HK\$0.4644 is approximately 22.2% higher than the average closing price of the Shares of HK\$0.38 for the 12 months preceding the commencement of the Offer Period up to and including the Latest Practicable Date. Although the Offer Price represents (i) a discount of approximately 33.66% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (ii) a discount of approximately 47.82% to the Last Trading Price of HK\$0.89 per Share, the Independent Shareholders should note that the historical daily trading volume of the Shares has been relatively low as discussed below, meaning that it may be difficult to divest meaningful stake of the Shares at the prevailing market price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the average daily trading volume of the Shares, the approximate percentage of the average daily trading volume to the total issued Shares and the approximate percentage of the average daily trading volume to the total number of Shares held by the Independent Shareholders respectively during the period from the 12 months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date:

Period/month	Average daily trading volume of the Shares for the month/period	Approximate % of average daily trading volume to the total issued Shares (Note 1)	Approximate % of average daily trading volume to the total number of Shares held by the Independent Shareholders (Note 2)
From 1 December 2021 up to and including the Latest Practicable Date	61,744	0.03%	0.11%
November 2021	133,370	0.06%	0.24%
October 2021	494,504	0.23%	0.88%
September 2021	377,684	0.17%	0.59%
August 2021	169,431	0.08%	0.27%
July 2021	108,207	0.05%	0.17%
June 2021	3,303,795	1.49%	5.20%
May 2021	549,365	0.25%	0.87%
April 2021	60,687	0.03%	0.10%
March 2021	322,078	0.14%	0.51%
February 2021	153,620	0.07%	0.24%
January 2021	371,168	0.17%	0.58%
December 2020	128,586	0.06%	0.20%

Source: Stock Exchange website

Notes:

- (1) Based on the total of (i) 222,450,526 issued Shares for the period from December 2020 to September 2021 and (ii) 215,346,526 issued Shares for the period from October 2021 to the Latest Practicable Date.
- (2) Based on the total of (i) 222,450,526 issued Shares and 63,503,158 Shares held by the Independent Shareholders (by deducting 158,947,368 Shares held by the Offeror and parties acting in concert with it from the total issued Shares of 222,450,526) for the period from December 2020 to September 2021; and (ii) 215,346,526 issued Shares and 56,399,158 Shares held by the Independent Shareholders (by deducting 158,947,368 Shares held by the Offeror and parties acting in concert with it from the total issued Shares of 215,346,526) for the period from October 2021 to the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table above shows that the lowest average daily trading volume was 60,687 Shares in the month of April 2021 and the highest average daily trading volume was 3,303,795 Shares in the month of June 2021. The lowest average daily trading volume in April 2021 represented approximately 0.03% and 0.10% of the total issued Shares and the Shares held by the Independent Shareholders respectively. In the month of June 2021, the highest average daily trading volume represented approximately 1.49% and 5.20% of the total issued Shares and the Shares held by the Independent Shareholders respectively.

The highest average daily trading volume in June 2021 may be attributable to the annual results announcement of the Company for the year ended 31 March 2021 released on 23 June 2021, which led to over 20 million Shares traded on each of 24 June 2021 and 25 June 2021. Apart from the month of June 2021, the average daily trading volume of all other months in the last 12-month period represented less than 1% of the total issued Shares and the Shares held by the Independent Shareholders respectively.

Based on the most recent full month in November 2021, the average daily trading volume was only 133,370 Shares, representing approximately 0.06% and 0.24% of the total issued Shares and the Shares held by the Independent Shareholders respectively. Given the low average daily trading volume of the Shares and the low percentage to the total issued Shares and to the Shares held by the Independent Shareholders as demonstrated above, it is therefore difficult for the Independent Shareholders to dispose of a meaningful stake of their Shares at the market price in the open market.

H. Comparable company analysis

As stated above, the Company is principally engaged in the provision of interior design services to premises including private residences, corporate offices, service apartments, hotels, residential clubhouses, show flats and sales galleries and the Group's interior design business is project-based. For the year ended 31 March 2021, interior design and execution services constituted over 98% of the Company's total revenue. Despite the adverse impact of COVID-19 pandemic, the Company recorded a profitable track record generating net profits of HK\$8.2 million and HK\$2.2 million for the year ended 31 March 2021 and the six months ended 30 September 2021 respectively. Since the Company is a service-based business with revenue derived mainly in the form of execution services and design income, it is therefore appropriate for the valuation benchmark of the Company to be based on price-earnings ratio ("PER"), rather than other valuation multiples such as price-to-book ratio (which is only suitable for asset-based business).

On the above basis, we consider it is fair and representative to identify comparable companies that are within the selection criteria which include: (i) comparable company primarily engaged in the business that is similar to that of the Company, namely interior design and execution services; (ii) the interior design and execution services should constitute majority of the comparable company's revenue of more than 70%; (iii) comparable company currently listed on the Stock Exchange; and (iv) comparable company having a market capitalisation of not more than HK\$1,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

million as at the Latest Practicable Date, considering the Company's market capitalisation was approximately HK\$151 million as at the Latest Practicable Date (the "**Comparable Companies**").

The Comparable Companies have been selected based on the above criteria, which have been identified exhaustively, in our research based on publicly available information. The Comparable Companies may exhibit differences in, such as, the place and market prospect of the business, the scale and size of operations, the services provided, the business and revenue models, the risks associated with the markets and customers, as compared with that of the Company, and we have not investigated into the business and operations of the Comparable Companies apart from our review of the related public information.

The following table illustrates the PERs for each of the Comparable Companies based on their closing share prices as at 24 December 2021:

Company Name	Principal Business Activities of the Comparable Companies	Stock Code	Closing Share Price (HK\$)	Market Capitalisation (HK\$ million)	PER (times)
K W Nelson Interior Design and Contracting Group Limited	The company, along with its subsidiaries, is principally engaged in the provision of interior designs, project management services and fitting-out works in Hong Kong and the PRC.	8411	0.200	200.00	11.98
Lai Group Holding Company Limited	The company is an investment holding company principally involved in the provision of interior design and fit-out services. The company's main segment is primarily engaged in the residential design and fit-out projects, commercial design and fit-out projects and selling of fit-out materials.	8455	0.053	42.40	N/A (Note 1)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name	Principal Business Activities of the Comparable Companies	Stock Code	Closing Share Price (HK\$)	Market Capitalisation (HK\$ million)	PER (times)
Steve Leung Design Group Limited	The company is a holding company mainly engaged in providing interior design services. It operates its business through three segments. Interior design services segment provides interior design services and licensing arrangements for interior design services. Interior decorating and furnishing services segment provides interior decorating and furnishing services and trading of interior decorative products. Product design services segment provides product design services and licensing arrangements for product design services.	2262	0.760	867.46	25.85
Average PER (Note 2)					18.92
Minimum PER (Note 2)					11.98
Maximum PER (Note 2)					25.85
Implied PER of the Company					12.20
					(Note 3)

Source: Stock Exchange website as at 24 December 2021 and the respective companies' annual reports

Notes:

- (1) Lai Group Holding Company Limited incurred a loss of approximately HK\$1.3 million for the year ended 31 March 2021 and the PER is not applicable (with no earnings). Accordingly, it is excluded from the PER analysis as an outlier.
- (2) Excluding Lai Group Holding Company Limited.
- (3) Based on the Offer Price of HK\$0.4644 per Offer Share and the total of 215,346,526 Shares in issue as at the Latest Practicable Date, the implied valuation of the entire issued share capital of the Company is approximately HK\$100.0 million. The implied PER of the Company of 12.20 times is calculated by dividing the implied valuation of the entire issued share capital of the Company of approximately HK\$100.0 million by the latest profit of the Company for the year ended 31 March 2021 of approximately HK\$8.2 million.

As shown in the table above, Lai Group Holding Company Limited (“**Lai Group**”) incurred a loss for the year ended 31 March 2021 and the PER is not applicable (with no earnings). Accordingly, Lai Group is excluded from the PER analysis as an outlier. As a result, the average PER of the remaining two Comparable Companies (excluding Lai Group) is approximately 18.92 times, with the minimum PER of 11.98 times represented by K W Nelson Interior Design and Contracting Group Limited (“**KW**”).

Nelson Group”) and the maximum PER of 25.85 times represented by Steve Leung Design Group Limited (“**SLD Group**”). We consider that KW Nelson Group and SLD Group are direct comparable companies of the Company as the design and decoration income had contributed over 70% of each of their revenues for the latest financial year, and accordingly, we are of the view that such Comparable Companies (excluding Lai Group) are fair and representative of the business of the Company.

Based on the Offer Price of HK\$0.4644 per Offer Share and the total of 215,346,526 Shares in issue as at the Latest Practicable Date, the implied valuation of the entire issued share capital of the Company is approximately HK\$100.0 million. Based on the Company’s profit for the year ended 31 March 2021 of approximately HK\$8.2 million, the implied PER of the Company based on the Offer Price is therefore approximately 12.20 times. As compared to the average PER of the two Comparable Companies (being KW Nelson Group and SLD Group, excluding Lai Group) of 18.92 times, the implied PER of the Company is at a discount of approximately 35.5%. However, as shown in the table above, the market capitalisation of SLD Group and KW Nelson Group is approximately 8.7 times and 2.0 times respectively larger when compared to the implied valuation of the Company at the Offer Price of approximately HK\$100 million. Also, according to the annual report of SLD Group for the year ended 31 December 2020, only approximately 6.3% of the company’s interior design service revenue was derived in Hong Kong, and the majority of approximately 86.1% of such revenue was originated from projects in the PRC. On the contrary, according to the annual report of KW Nelson Group for the year ended 31 December 2020, all of its design and decoration revenue was derived in Hong Kong; and according to the annual report of the Company for the year ended 31 March 2021, approximately 91.8% of its interior design and execution services revenue was derived in Hong Kong, with less than 5.1% from the PRC.

Based on the above analysis, although both SLD Group and KW Nelson Group are principally engaged in the business of interior design services, their PER of 25.85 times and 11.98 times respectively may be attributable to the differences in the respective market capitalisation and geographical breakdown of revenue. Also, we note that the Company’s market capitalisation and the geographical distribution of the Company’s revenue is similar to that of KW Nelson Group and the implied PER of the Company of 12.20 times is also higher than the PER of 11.98 times of KW Nelson Group.

However, in view of only two Comparable Companies selected in the above PER analysis and the differences identified particularly in terms of the geographical breakdown of revenue (that all of KW Nelson Group’s design and decoration revenue was derived in Hong Kong, whereas only approximately 6.3% of SLD Group’s interior design service revenue was derived in Hong Kong with the majority of approximately 86.1% derived from the PRC), we consider it is inconclusive as to whether the Offer Price is fair and reasonable on the basis of the PER analysis alone (which comprised of only two Comparable Companies) and therefore, we advise the Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders to also consider our analysis set out in the section headed “G. Share price performance and trading liquidity of the Company” above when assessing the Offer Price.

In terms of comparison of value, we note that, as stated in the section headed “A. Terms of the Offer” above, the Offer Price represents a premium of approximately 82.83% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.254 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021. We are of the view that, although the Company is a revenue-based company (rather than an asset-based company), the Offer Price still represents a premium over the net asset value (rather than at a discount to the net asset value), which is therefore in the interests of the Independent Shareholders.

Also, as discussed above, although the Offer Price represents a discount of approximately 33.66% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date and a discount of approximately 47.82% to the Last Trading Price of HK\$0.89 per Share, the Independent Shareholders should note that the historical average daily trading volume of the Shares has been relatively low, and apart from the month of June 2021 during the period from the 12 months preceding the commencement of the Offer Period up to and including the Latest Practicable Date, the historical average daily trading volume of the Shares in all other months during such period represented less than 1% of the total issued Shares and the Shares held by the Independent Shareholders respectively, meaning that it may be difficult to divest meaningful stake of the Shares at the prevailing market price.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:

- (1) although the Offer Price represents a discount of approximately 33.66% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the low historical average daily trading volume of the Shares as illustrated above means that it is difficult for the Independent Shareholders to divest meaningful stake of their Shares at the prevailing market price;
- (2) the Offer Price of HK\$0.4644 is approximately 22.2% higher than the average of HK\$0.38 per Share for the 12 months preceding the commencement of the Offer Period up to and including the Latest Practicable Date;
- (3) the Offer Price of HK\$0.4644 represents a premium of approximately 82.83% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.254 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021, meaning that although the Company is a revenue-based company (rather than an asset-based company), the Offer Price still represents a premium over the net asset value (rather than at a discount to the net asset value), which is therefore in the interests of the Independent Shareholders; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (4) we are of the view that, barring the adverse impact of COVID-19 pandemic which is currently still ongoing, the industry outlook and the business outlook of the Company remain positive in the long term based on the recent trends of the sales of real properties and the financial performance of the Company as discussed above;

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to accept the Offer. However, as the closing price of the Shares on the Latest Practicable Date is higher than the Offer Price, the Independent Shareholders may alternatively consider to divest their Shares in the open market if and when there is sufficient trading volume of the Shares.

As the Offer is unconditional in all aspects when it is made and is not conditional upon acceptances being received in respect of a minimum number of Shares, in making this recommendation, we also note that the Shareholders are at liberty whether to accept the Offer or to divest their Shares in the open market at a price which is higher than the Offer Price, if and when such opportunities arise, according to their own personal preference, investment horizon and objectives and they should consult their own professional advisers for advice specific to their own circumstances.

Yours faithfully,
For and on behalf of
Trinity Corporate Finance Limited
Joanne Pong
Responsible Officer

Ms. Joanne Pong is a licensed person registered with the Securities and Futures Commission and a responsible officer of Trinity Corporate Finance Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Ms. Joanne Pong has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong and has over 18 years of experience in the corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, being Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by post or by hand, marked "Hephaestus Holdings Limited General Offer" on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "Hephaestus Holdings Limited General Offer" the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Hephaestus Holdings Limited General Offer" the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "Hephaestus Holdings Limited General Offer" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "Hephaestus Holdings Limited General Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded the Form of Acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects in accordance with the Takeovers Code and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days after the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code. The Offer is unconditional.
- (b) The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.
- (e) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholders who accept the Offer become entitled to withdraw their acceptance under the paragraph headed "6. RIGHT OF WITHDRAWAL" below and duly do so.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, or has expired.

The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the offer period; and
- (iii) acquired or agreed to be acquired during the offer period by the Offeror and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in this Appendix, and which have been received by the Registrar respectively no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “5. ANNOUNCEMENTS” above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

7. OVERSEAS INDEPENDENT SHAREHOLDERS

The availability of the Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to the Independent Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the individual Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Shareholder(s) in respect of such jurisdictions).

As confirmed by the Company, as at the Latest Practicable Date, the Company has three Shareholders with registered address in the PRC, Macau and Singapore, respectively. As at the Latest Practicable Date, the Offeror had been advised that under the applicable legislations and regulations of each of the PRC, Macau and Singapore, there was no regulatory restriction of any regulatory body or stock exchange with respect to despatching this Composite Document and extending the Offer to these Overseas Independent Shareholders in the relevant jurisdictions. Accordingly, the Offer will be extended to the Overseas Independent Shareholders with registered addresses in the above jurisdictions.

Acceptance of the Offer by any Overseas Independent Shareholder will be deemed to constitute a representation and warranty from such Overseas Independent Shareholder to the Offeror that all the laws and requirements of the relevant jurisdictions have been complied with. The Overseas Independent Shareholders should consult their professional advisers in case of any doubt.

8. HONG KONG STAMP DUTY

Seller's ad valorem stamp duty at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAXATION ADVICE

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with it, the Company, Kingston Securities, Kingston Corporate Finance, Merdeka, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. None of the Offeror, its beneficial owners, the Company, Kingston Corporate Finance, Kingston Securities, Merdeka, the Independent Financial Adviser, the Registrar, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Offer are sold by such person or persons free from all Encumbrances and together with all rights accruing or attaching thereto including (without limitation) the rights to receive in full any and all dividends and distributions declared, made or paid on or after the date on which the Offer is made, being the despatch date of this Composite Document.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) Acceptance of the Offer by any person who is an Overseas Independent Shareholder will be deemed to constitute a warranty by such person to the Offeror and the Company that he, she or it has observed the laws of all relevant jurisdictions in connection therewith, obtained all requisite governmental, exchange control or other consents, complied with other necessary formalities or legal requirements and paid any transfer or other taxes due from him, her or it in connection with such acceptance in all relevant jurisdictions, that he, she or it has not taken or omitted to take any action which will, or which may result in the Offeror, the Company, Kingston Securities or any other persons acting or being in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or his or her or its acceptance, and he, she or it is permitted under all applicable laws to accept the Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Kingston Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, Merdeka, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, professional advisers or associates or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.
- (l) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares, in respect of which it is indicated in the Form of Acceptance, is the aggregate number of Offer Shares held by such nominee for such beneficial owners who accept the Offer.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 March 2019, 2020 and 2021 as extracted from the annual reports of the Company for the financial years ended 31 March 2020 and 2021; and the unaudited consolidated financial information of the Group for the six months ended 30 September 2020 and 2021 as extracted from the interim report of the Company for the six months ended 30 September 2021.

Summary of consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 September		Year ended 31 March		
	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2019 HK\$'000 (audited and restated)	2020 HK\$'000 (audited)	2021 HK\$'000 (audited)
Revenue	28,349	25,625	69,810	73,088	53,238
Cost of services	(13,439)	(12,631)	(28,477)	(30,395)	(25,891)
Gross profit	14,910	12,994	41,333	42,693	27,347
Other income	2,413	592	131	361	3,600
Other gains/(losses)	580	32	877	(915)	(2)
Listing expense	—	—	—	(57,302)	—
Administrative expenses	(10,517)	(10,172)	(20,949)	(22,247)	(19,730)
Profit/(Loss) from operations	7,386	3,446	21,392	(37,410)	11,215
Finance costs	(917)	(775)	(1,244)	(2,040)	(1,774)
Profit/(Loss) before tax	6,469	2,671	20,148	(39,450)	9,441
Income tax	(678)	(510)	(2,982)	(3,196)	(1,228)
Profit/(Loss) and total comprehensive income for the period/year	<u>5,791</u>	<u>2,161</u>	<u>17,166</u>	<u>(42,646)</u>	<u>8,213</u>
Earnings/(Loss) per Share	HK2.37 cents (restated)*	HK0.93 cents	HK2.26 cents	HK(4.55) cents	HK0.67 cents

* Earnings per Share was adjusted to take into account the effect of the share consolidation on the basis that every five issued and unissued shares of HK\$0.0001 each were consolidated into one share of HK\$0.0005 each in the share capital of the Company with effect from 2 September 2021.

Save as disclosed above, the Group did not have any item of any income or expense which was material for each of the three years ended 31 March 2019, 2020 and 2021 and each of the six months ended 30 September 2020 and 2021.

On 13 November 2019, the restructuring, including, among others, capital reorganisation, creditors schemes, provision of investor loan and investor loan capitalisation, share offer and reverse takeover (as defined hereinunder) involving new listing application was completed. The details of the restructuring are set out in the Company's circular dated 29 May 2019 and the Company's prospectus dated 4 November 2019. On 13 November 2019, the Company completed an acquisition of the entire equity interests of Absolute Surge Limited ("**Absolute Surge**") by issue and allotment of 760,000,000 new shares of HK\$0.0001 each at the price of HK\$0.19 each to Whistle Up which constituted a reverse takeover (the "**Reverse Takeover**"). Absolute Surge together with its subsidiaries are principally engaged in the provision of interior design and execution services.

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by RSM Hong Kong. Comparative information of the Group for the year ended 31 March 2019 presented has been restated (details of which were set out in the annual report of the Company for the year ended 31 March 2020).

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by RSM Hong Kong.

The financial results set out in the annual report of the Company for the year ended 31 March 2019 published on 16 June 2019 (the "**2019 Annual Report**") and audited by Elite Partners CPA Limited ("**Elite Partners**") represent the financial results of the Group before completion of the Reverse Takeover.

No modified or qualified opinion, emphasis of matter or material uncertainty related to going concern had been issued by RSM Hong Kong, being the current auditor of the Group, in respect of the Group's audited consolidated financial statements for the years ended 31 March 2020 and 2021.

As set out in the 2019 Annual Report, Elite Partners issued a disclaimer of opinion and considered that there is material uncertainty related to going concern. The basis of such disclaimer of opinion and such material uncertainty set out in the 2019 Annual Report is reproduced herein below:

"DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Union Asia Enterprise Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 79 to 210, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our audited report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Opening balances and comparative information

As detailed in our auditor’s report on the consolidated financial statements of the Group for the year ended 31 March 2018, dated 1 June 2018, we expressed a disclaimer opinion on the consolidated statements of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended due to various limitations in evidence available to us in relation to the matters described in (i) and in paragraphs (b) and (c) below.

(i) Deconsolidation of subsidiaries

During the year ended 31 March 2017, the Group was unable to locate complete set of books and records of two of its subsidiaries, i.e. 寰亞宏華商貿(北京)有限責任公司 and 宏華加業商貿(上海)有限公司 (“**Deconsolidated Subsidiaries**”). In the opinion of the Board of Directors of the Company, the controls over the Deconsolidated Subsidiaries were lost. Accordingly, the financial performance and the assets and liabilities of the Deconsolidated Subsidiaries had been de-consolidated from the consolidated financial statements of the Group with effective from 31 March 2017.

During the year ended 31 March 2018, the Group was still unable to locate the complete to locate complete set of books and records of Deconsolidated Subsidiaries.

Given the circumstances described above, as detailed in our auditor’s report for the year ended 31 March 2018, the scope of our audit work was limited.

Any adjustments found to be necessary in respect of the matter described in (i) above might have a significant effect on the consolidated statements of financial position as at 31 March 2018, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 March 2018 and hence may affect the comparability of the current year’s figures and the corresponding figures in these statements.

(b) Misuse of Company funds from disposal of leasehold property

During the year ended 31 March 2017, Evotech (Asia) Pte. Limited (“**Evotech**”), an indirect wholly owned subsidiary of the Company entered into an agreement with Jurong Town Corporation (“**JTC**”) of the Singapore government, without the knowledge, consent or approval by the Board of Directors of the Company, to surrender a leasehold property to JTC at the consideration of Singapore dollar (“**S\$**”) 5,620,000 (equivalent of approximately HK\$32,232,000) excluding goods and services tax in Singapore (“**Transaction**”). To the best knowledge of the Directors, the net proceeds received from the Transaction (“**Proceeds**”) were used for (i) settlement of bank borrowing of Evotech of approximately S\$1,362,000 (equivalent to approximately HK\$7,700,000); (ii) fund transfer to Kesterion Investment Limited, a former substantial shareholder of the Company of approximately US\$570,000 and S\$1,600,000 (equivalent to approximately HK\$13,399,000); (iii) fund transfers to Koh Tat Lee, a former director of the Company and two independent third parties namely Yao Jun and Yew Eng Piow, of approximately US\$500,000 and S\$685,000 (equivalent to approximately HK\$7,677,000) ((ii) to (iii) referred to as the “**Fund Transfers**”) and the remaining balance of the Proceeds were used as working capital of the Group.

During the year ended 31 March 2018, these limitation was unresolved and our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2018 was disclaimed accordingly.

During the year ended 31 March 2019, the formal judgement was released by the trial judge who ruled in favour of Evotech against Mr. Koh and Lily Bey jointly and severally in the total sum claimed by Evotech with interests running on each of these sums.

Under this circumstance, the directors of the Company considered that the Company has the right to recover the Fund Transfer together with the interest and consequentially, the amounts of approximately HK\$23,758,000 has been accounted for as other receivables in the consolidated statement of financial position as at 31 March 2019.

However, we have not been provided with sufficient appropriate audit evidence to satisfy ourselves that the recoverability for the balances of these other receivables of approximately HK\$23,758,000 as at 31 March 2019 were free from material misstatements. Any adjustments that might have been found necessary will have an effect on the consolidated statement of financial position as at 31 March 2019, and consequently financial performance and cash flows of the Group for the year ended 31 March 2019 and the related disclosures thereof in the consolidated financial statements.

(c) **Material uncertainty in relation to going concern basis**

We draw attention to note 2 in the consolidated financial statements of the Group which indicates that the Group incurred a loss for the year of approximately HK\$79,814,000 during the year ended 31 March 2019. As at the same date, the Group incurred net current liabilities and net liabilities of approximately HK\$130,546,000 and approximately HK\$489,977,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In forming our opinion, we have considered the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for resumption of trading in the Company's shares and the restructuring of the Group has been submitted to The Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. In view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and any other primary statement as shown in (i) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021 (the "**2021 Interim Financial Statements**") (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the "**2021 Financial Statements**"); (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the "**2020 Financial Statements**"); and (iv) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**2019 Financial Statements**"), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2021 Interim Financial Statements are set out on pages 6 to 24 of the interim report of the Group for six months ended 30 September 2021, which was published on 12 November 2021. The interim report of the Group for the six months ended 30 September 2021 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1112/2021111200862.pdf>

The 2021 Financial Statements are set out on pages 116 to 199 of the annual report of the Company for the year ended 31 March 2021, which was published on 29 June 2021. The annual report of the Company for the year ended 31 March 2021 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0629/2021062900734.pdf>

The 2020 Financial Statements are set out on pages 119 to 211 of the annual report of the Company for the year ended 31 March 2020, which was published on 26 June 2020. The annual report of the Company for the year ended 31 March 2020 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0626/2020062600455.pdf>

The 2019 Financial Statements are set out on pages 79 to 210 of the annual report of the Company for the year ended 31 March 2019, which was published on 16 June 2019. The annual report of the Company for the year ended 31 March 2019 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0616/gln20190616007.pdf>

3. INDEBTEDNESS

At the close of business on 30 November 2021, the Group's unaudited lease liabilities amounted to approximately HK\$1,439,000.

Save as disclosed above, at the close of business on 30 November 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credit, debentures, hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees outstanding.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group from 30 November 2021 to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

RESPONSIBILITY STATEMENT

The sole director of the Offeror and Ms. Ye jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Offeror, the sole director of the Offeror nor any party acting in concert with them owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Name of Shareholders	Capacity	Number of Shares held/ interested	Approximate percentage of the total number of issued Shares
			(Note 2) (%)
The Offeror (Note 1)	Beneficial owner	158,947,368	73.81
Ms. Ye (Note 1)	Interest of controlled corporation	158,947,368	73.81

Notes:

1. The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Ms. Ye. Ms. Ye is the sole ultimate beneficial owner of the Offeror as at the Latest Practicable Date. Accordingly, Ms. Ye is deemed under the SFO to be interested in the Shares held by the Offeror.
2. Based on 215,346,526 Shares in issue as at the Latest Practicable Date.

INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed "Disclosure of Interests" in this appendix, none of the Offeror, Ms. Ye or parties acting in concert with them owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (b) save as disclosed in the section headed "Disclosure of Interests" in this appendix, the sole director of the Offeror did not have any interests in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

- (c) none of the Offeror, Ms. Ye or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (d) save for the Sale and Purchase Agreement, the Loan Facility Agreement and the Share Charges, none of the Offeror, Ms. Ye or parties acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.
- (e) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, Ms. Ye or any person acting in concert with any of them owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (f) there was no agreement or arrangement to which the Offeror or Ms. Ye is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.
- (g) none of the Offeror, Ms. Ye or parties acting in concert with any of them has received any irrevocable commitment to accept the Offer.
- (h) save for the Loan Facility Agreement and the Share Charges, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.
- (i) save for the consideration for the Sale Shares, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror, Ms. Ye or any parties acting in concert with them to Whistle Up or any parties acting in concert with it in connection with the Sale and Purchase Agreement.
- (j) other than the transactions contemplated under the Sale and Purchase Agreement, there is no understanding, arrangement or agreement or special deal under Rule 25 of the Takeovers Code between the Offeror, Ms. Ye or any parties acting in concert with any of them on the one hand, and Whistle Up or any parties acting in concert with it on the other hand.
- (k) no benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.
- (l) there is no understanding, arrangement, agreement or special deal between any Shareholders and the Company, its subsidiaries or associated companies and the Offeror, Ms. Ye or any parties acting in concert with them.

- (m) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, Ms. Ye or parties acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders which had any connection or was dependent upon the Offer.

DEALING IN SECURITIES OF THE COMPANY

During the Relevant Period:

- (a) save for the Sale Shares acquired by the Offeror under the Sale and Purchase Agreement, none of the Offeror, Ms. Ye or parties acting in concert with any of them has dealt in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (b) save for the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder, the sole director of the Offeror had not dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (c) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, Ms. Ye or any person acting in concert with them had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share HK\$
2021	
30 June	0.335
30 July	0.29
31 August	0.215
30 September	0.5
29 October	0.87
26 November (the Last Trading Day)	0.89
30 November	Trading in Shares halted
24 December (the Latest Practicable Date)	0.70

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.92 per Share (on 1 November 2021) and HK\$0.2 per Share (on 19 August 2021, 23 August 2021, 25 August 2021, 26 August 2021 and 27 August 2021), respectively.

EXPERTS AND CONSENTS

The followings are the qualification of the experts whose letter or opinion are contained in this Composite Document:

Name	Qualification
Kingston Corporate Finance	Kingston Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	Kingston Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO

Each of Kingston Securities and Kingston Corporate Finance has given and has not withdrawn its written consents to the issue of this Composite Document with the inclusion of the text of its letter or report and/or references to its name in the form and context in which they are respectively included.

MISCELLANEOUS

As at the Latest Practicable Date:

- (a) The principal members of the Offeror's concert group are the Offeror, Ms. Ye and Ms. Zheng Lu;
- (b) the registered office address of the Offeror is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands;
- (c) the correspondence address of the Offeror is Flat C, 9/F, Tower 1 Union Square, the Harbourside, 1 Austin Road West, Kowloon, Hong Kong;
- (d) the correspondence address of Ms. Ye is Flat C, 9/F, Tower 1 Union Square, the Harbourside, 1 Austin Road West, Kowloon, Hong Kong;
- (e) the registered address of Kingston Corporate Finance is 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong; and
- (f) the registered address of Kingston Securities is 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

DOCUMENTS ON DISPLAY

Copies of the following documents are published on the website of the Company (<http://www.hephaestus.com.hk>) and the website of the SFC (<http://www.sfc.hk>), all from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out on pages 7 to 14 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed “EXPERTS AND CONSENTS” in this appendix.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, Ms. Ye and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror and Ms. Ye) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised share capital: HK\$

<u>20,000,000,000</u>	Ordinary Shares	<u>10,000,000.00</u>
------------------------------	-----------------	-----------------------------

Issued and fully paid share capital:

<u>215,346,526</u>	Ordinary Shares	<u>107,673.26</u>
---------------------------	-----------------	--------------------------

Since 31 March 2021 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares had been issued by the Company.

All the existing issued Shares are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting and capital.

The Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

i. Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debenture of the Company and any of its associated corporation

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company nor their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to Section 352 of

the SFO, have been entered in the register referred to therein, or which were required pursuant to the GEM Listing Rules to be notified to the Company and the Stock Exchange or which are required to be disclosed under the Takeovers Code.

ii. Substantial shareholders and other persons' interests and short positions in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which are required to be disclosed under the Takeovers Code or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of interest in the Company's issued share capital (%)
The Offeror (<i>Note 1</i>)	Beneficial owner	158,947,368	73.81
Ms. Ye (<i>Note 1</i>)	Interest of a controlled corporation	158,947,368	73.81

Note:

- 1) The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Ms. Ye. Pursuant to the SFO, Ms. Ye is deemed to be interested in all Shares held by the Offeror.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the Directors were not aware of any other persons (not being a Director or chief executive of the Company) had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which are required to be disclosed under the Takeovers Code or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company.

4. SHAREHOLDINGS AND DEALINGS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) (the “**Relevant Securities**”) of the Offeror, and no such person (including the Company) had dealt in the Relevant Securities of the Offeror during the Relevant Period.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

None of the Directors held any shares, convertible securities, warrants, options or other derivatives of the Company, and save for the Sale Shares, none of the Directors have dealt for value in any Share or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

As at the Latest Practicable Date:

- i. no Share or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- ii. no Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- iii. no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- iv. none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer; and
- v. none of the Company or any of its Directors had borrowed or lent any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives issued by the Company.

6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) save for the Sale and Purchase Agreement, the Offeror had not entered into any material contract in which any Director has a material personal interest.

7. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the offer period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. MATERIAL CONTRACTS

No material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) have been entered into by members of the Group within two years immediately preceding the commencement of the offer period and up to the Latest Practicable Date.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained or referred to in this Composite Document:

Name	Qualification
Trinity Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Trinity Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

- (i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its head office and principal place of business in Hong Kong is situated at Flats A-G, 15/F, 15 Chong Yip Street, Kowloon, Hong Kong.
- (ii) The registered office of the Independent Financial Adviser is situated at Unit 05, 29/F, 50 Wong Chuk Hang Road, Hong Kong.
- (iii) The Hong Kong share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (iv) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese translation in the case of inconsistency.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the SFC (<http://www.sfc.hk>) and the Company (<http://www.hephaestus.com.hk>); all from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum of association and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 March 2019, 31 March 2020 and 31 March 2021; and the interim report of the Company for the six months ended 30 September 2020;
- (iii) the letter from the Board as set out on pages 15 to 22 of this Composite Document;
- (iv) the letter from the Independent Board Committee as set out on pages IBC-1 to IBC-2 of this Composite Document;
- (v) the letter from the Independent Financial Adviser as set out on pages IFA-1 to IFA-20 of this Composite Document;
- (vi) the written consents referred to in the paragraph headed “10. QUALIFICATION AND CONSENT OF EXPERT” in this appendix; and
- (vii) this Composite Document and the accompanying Form of Acceptance.